

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2015**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
AUDIT OF THE
CHRISTIAN COUNTY FISCAL COURT

June 30, 2015

The Auditor of Public Accounts has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2015.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Christian County Fiscal Court. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Christian County's major federal program: Community Development Block Grants/State's Program (CFDA #14.228).

Financial Condition:

The Christian County Fiscal Court had total receipts of \$22,164,302 and disbursements of \$20,516,427 in fiscal year 2015. This resulted in a total ending fund balance of \$13,254,073, which is an increase of \$1,647,875 from the prior year.

Report Comments:

2015-001 Christian County Fiscal Court Did Not Have Adequate Controls Over Credit Card Disbursements
2015-002 Christian County Fiscal Court Did Not Properly Utilize The Purchase Order System

Deposits:

The Fiscal Court deposits were insured and collateralized by bank securities or bonds.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Christian County Fiscal Court, for the year ended June 30, 2015, and the related notes to the financial statement which collectively comprise the Christian County Fiscal Court's financial statement as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1 of the financial statement, the financial statement is prepared by Christian County Fiscal Court on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Christian County Fiscal Court as of June 30, 2015, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Christian County Fiscal Court as of June 30, 2015, and their respective cash receipts and disbursements, and budgetary results for the year then ended, in accordance with the basis of accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Christian County Fiscal Court. The budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards, as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws.

The accompanying budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statement. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statement as a whole.

To the People of Kentucky
Honorable Matthew G. Bevin, Governor
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 09, 2016 on our consideration of Christian County Fiscal Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Christian County Fiscal Court's internal control over financial reporting and compliance.

Based on the results of our audit, we present the accompanying schedule of findings and questioned costs included herein, which discusses the following report comments:

- 2015-001 Christian County Fiscal Court Did Not Have Adequate Controls Over Credit Card Disbursements
- 2015-002 Christian County Fiscal Court Did Not Properly Utilize The Purchase Order System

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts

March 09, 2016

CHRISTIAN COUNTY OFFICIALS

For The Year Ended June 30, 2015

Fiscal Court Members:

Steve Tribble	County Judge/Executive
Kenneth Bates	Magistrate
Mark Wells	Magistrate
Mark Cansler	Magistrate
Darrell Gustafson	Magistrate
Rich Liebe	Magistrate
Jack Lackey	Magistrate
David Collins	Magistrate
Terry Bowman	Magistrate

Other Elected Officials:

J. Michael Foster	County Attorney
Bradley Boyd	Jailer
Mike Kem	County Clerk
Gary Haddock	Circuit Court Clerk
Livy Leavell, Jr.	Sheriff
Angela Strader	Property Valuation Administrator
Dorris Lamb	Coroner

Appointed Personnel:

Walter Cummings	County Treasurer
Ruth Mason	Assistant County Treasurer
Kelly Finley	County Finance Officer

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2015

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 6,813,628	\$	\$
In Lieu Tax Payments	2,414		
Excess Fees	1,152,621		
Licenses and Permits	148,795		
Intergovernmental	1,461,703	3,047,403	5,744,936
Charges for Services	239,548		267,761
Miscellaneous	299,240	53,430	341,660
Interest	38,353	51	728
Total Receipts	<u>10,156,302</u>	<u>3,100,884</u>	<u>6,355,085</u>
DISBURSEMENTS			
General Government	2,416,977		
Protection to Persons and Property	383,086		5,218,743
General Health and Sanitation	450,770		
Social Services	154,929		
Recreation and Culture	369,614		
Roads	30,314	3,187,750	
Debt Service			13,006
Capital Projects	409,109	71,250	
Administration	2,650,375	324,392	1,366,230
Total Disbursements	<u>6,865,174</u>	<u>3,583,392</u>	<u>6,597,979</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>3,291,128</u>	<u>(482,508)</u>	<u>(242,894)</u>
Other Adjustments to Cash (Uses)			
Transfers From Other Funds	440,000	1,450,000	970,000
Transfers To Other Funds	<u>(2,634,456)</u>	<u>(645,900)</u>	<u>(573,758)</u>
Total Other Adjustments to Cash (Uses)	<u>(2,194,456)</u>	<u>804,100</u>	<u>396,242</u>
Net Change in Fund Balance	1,096,672	321,592	153,348
Fund Balance - Beginning (Restated)	9,398,735	12,108	168,784
Fund Balance - Ending	<u>\$ 10,495,407</u>	<u>\$ 333,700</u>	<u>\$ 322,132</u>
Composition of Fund Balance			
Bank Balance	\$ 4,064,986	\$ 345,148	\$ 383,048
Less: Outstanding Checks	(64,589)	(11,448)	(60,916)
Certificates of Deposit	<u>6,495,010</u>		
Fund Balance - Ending	<u>\$ 10,495,407</u>	<u>\$ 333,700</u>	<u>\$ 322,132</u>

The accompanying notes are an integral part of the financial statement.

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

Budgeted Funds		
Local Government Economic Assistance Fund	Revolving Loan Fund	E911 Fund
\$	\$	\$ 150,265
199,847		224,590
	17,071	
5	120	2,213
<u>199,852</u>	<u>17,191</u>	<u>377,068</u>
	45,000	
		360,547
203,642		
<u>203,642</u>	<u>45,000</u>	<u>360,547</u>
<u>(3,790)</u>	<u>(27,809)</u>	<u>16,521</u>
(3,790)	(27,809)	16,521
27,686	50,457	846,166
<u>\$ 23,896</u>	<u>\$ 22,648</u>	<u>\$ 862,687</u>
\$ 23,896	\$ 22,648	\$ 863,254 (567)
<u>\$ 23,896</u>	<u>\$ 22,648</u>	<u>\$ 862,687</u>

The accompanying notes are an integral part of the financial statement.

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Unbudgeted Funds			
	Jail Commissary Fund	Industrial Development Authority Revolving Loan Fund	Public Courthouse Corporation Fund	General Obligation Bond Fund
RECEIPTS				
Taxes	\$	\$	\$	\$
In Lieu Tax Payments				
Excess Fees				
Licenses and Permits				
Intergovernmental			1,377,478	
Charges for Services				
Miscellaneous	498,116	80,003		
Interest		2,319	1	3
Total Receipts	<u>498,116</u>	<u>82,322</u>	<u>1,377,479</u>	<u>3</u>
DISBURSEMENTS				
General Government		100,000		
Protection to Persons and Property				
General Health and Sanitation				
Social Services				
Recreation and Culture	389,806			
Roads				
Debt Service			1,438,178	931,419
Capital Projects				
Administration		40	1,250	
Total Disbursements	<u>389,806</u>	<u>100,040</u>	<u>1,439,428</u>	<u>931,419</u>
Excess (Deficiency) of Receipts Over				
Disbursements Before Other				
Adjustments to Cash (Uses)	<u>108,310</u>	<u>(17,718)</u>	<u>(61,949)</u>	<u>(931,416)</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			62,700	931,414
Transfers To Other Funds				
Total Other Adjustments to Cash (Uses)			<u>62,700</u>	<u>931,414</u>
Net Change in Fund Balance	108,310	(17,718)	751	(2)
Fund Balance - Beginning (Restated)	211,574	887,927	2,756	5
Fund Balance - Ending	<u>\$ 319,884</u>	<u>\$ 870,209</u>	<u>\$ 3,507</u>	<u>\$ 3</u>
Composition of Fund Balance				
Bank Balance	\$ 320,807	\$ 870,209	\$ 3,507	\$ 3
Less Outstanding Checks	(923)			
Certificates of Deposit				
Ending Fund Balance	<u>\$ 319,884</u>	<u>\$ 870,209</u>	<u>\$ 3,507</u>	<u>\$ 3</u>

The accompanying notes are an integral part of the financial statement.

CHRISTIAN COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2015
(Continued)

	Internal Service Fund
Total Funds	Health Insurance Fund
\$ 6,963,893	\$
2,414	
1,152,621	
148,795	
12,055,957	
507,309	
1,289,520	1,863,451
43,793	494
<u>22,164,302</u>	<u>1,863,945</u>
2,561,977	
5,962,376	
450,770	
154,929	
759,420	
3,421,706	
2,382,603	
480,359	
4,342,287	2,317,343
<u>20,516,427</u>	<u>2,317,343</u>
1,647,875	(453,398)
3,854,114	40,000
<u>(3,854,114)</u>	<u>(40,000)</u>
1,647,875	(453,398)
11,606,198	572,300
<u>\$ 13,254,073</u>	<u>\$ 118,902</u>
\$ 6,897,506	\$ 118,902
(138,443)	
6,495,010	
<u>\$ 13,254,073</u>	<u>\$ 118,902</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2015

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Christian County includes all budgeted and unbudgeted funds under the control of the Christian County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities, private purpose trust funds and internal service funds that are within the county's control. Unbudgeted funds may also include any corporation to act as the Fiscal Court in the acquisition and financing of any public project which may be undertaken by the Fiscal Court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the Fiscal Court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The Fiscal Court reports the following budgeted funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Budgeted Funds (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments. The Department for Local Government requires the Fiscal Court to maintain these receipts and disbursements separately from the General Fund.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Department for Local Government criteria for small business loans.

E-911 Fund - The primary purpose of this fund is to account for 911 tax receipts and emergency services disbursements.

Unbudgeted Funds

The Fiscal Court reports the following unbudgeted funds:

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

Industrial Development Authority Revolving Loan Fund - The primary purpose of this fund is to account for the activities of the Christian County Industrial Authority. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Department for Local Government approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The primary purpose of this fund is to account for the activities of the Public Courthouse Corporation. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

General Obligation Bond Fund - The purpose of this fund is to account for debt service requirements of the general obligation refunding bonds. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Internal Service Fund

Health Insurance Fund - The primary purpose of this fund is to account for Christian County's partially self-funded employee health insurance program.

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the Fiscal Court does not approve the expenses of this fund.

The State Local Finance Officer does not require the Public Courthouse Corporation Fund or the General Obligation Bond to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually.

E. Christian County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the Fiscal Court, various cities and special districts within the county, and the Board of Education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Christian County Fiscal Court.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The Fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2015, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2015.

	General Fund	Road Fund	Jail Fund	Health Insurance Fund	Total Transfers In
General Fund	\$	\$ 400,000	\$	\$ 40,000	\$ 440,000
Road Fund	1,450,000				1,450,000
Jail Fund	970,000				970,000
Health Insurance Fund	40,000				40,000
Public Courthouse Corporation Fund			62,700		62,700
General Obligation Bond Fund	174,456	245,900	511,058		931,414
Total Transfers Out	<u>\$ 2,634,456</u>	<u>\$ 645,900</u>	<u>\$ 573,758</u>	<u>\$ 40,000</u>	<u>\$ 3,894,114</u>

Reason for transfers:

To move resources from and to the General Fund and other funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The Fiscal Court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2015 was \$139,420.

Animal Shelter Fund - This fund accounts for funds received by the local animal shelter. The balance in Animal Shelter Fund as of June 30, 2015 was \$21,888.

Note 5. Receivables

- A. The County loaned \$100,000 to Maintainer Corporation of Kentucky on April 24, 2006 for the purpose of financing certain real estate. Terms of the agreement stipulate a 10-year repayment schedule of 4.0 percent interest. Records indicate Maintainer Corporation of Kentucky is in substantial compliance with this requirement. As of June 30, 2015, principal balance due was \$8,936.
- B. The County loaned \$150,000 to Hopkinsville Industrial Foundation, Inc. on April 1, 2011 for the purpose of making improvements to real estate. Terms of the agreement stipulate an 8-year repayment schedule at 1.5 percent interest. Records indicate Hopkinsville Industrial Foundation, Inc. is in substantial compliance with this requirement. As of June 30, 2015, principal balance due was \$77,245.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 5. Receivables (Continued)

- C. The County loaned \$300,000 to Siemer Milling Company, on April 1, 2010 for the purpose of financing certain equipment. Terms of the agreement stipulate a 5-year repayment schedule at 2.5 percent interest. Records indicate Siemer Milling Company is in substantial compliance with this requirement. As of June 30, 2015, the principal balance was paid in full.
- D. The County loaned \$100,000 to Hopkinsville Carnegie Library Inc., on May 12, 2015 for the purpose of financing certain real estate. Terms of the agreement stipulate the principal amount of the loan plus any interest accrued at a rate of 2 percent shall be payable, in full, on or before June 15, 2020. As of June 30, 2015, the principal balance due was \$100,000.

Note 6. Long-term Debt

A. Revenue Refunding Bonds, Series 2007

The Christian County Public Courthouse Corporation (the "Corporation") was established by the County of Christian, Kentucky (the "County") to act as the agency and instrumentality of the County in acquiring, developing and financing public improvements and public projects. The Corporation issued its Christian County Public Courthouse Corporation Lease Revenue Bonds (District Court Facility Project), Series 2000, dated November 1, 2000, (the "Series 2000 Bonds") for the purpose of acquiring, constructing and furnishing a court facility and the completion of the renovation and improvement of the Christian County Corrections Center located in Hopkinsville, Kentucky.

The Corporation adopted at the direction of the Fiscal Court of the County, a resolution (the "Resolution") authorizing the Series 2007 Bonds for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds.

The Bonds are secured by a foreclosable first mortgage lien on the Project. The Bonds are also secured by the assignment of the Corporation of all its rights, title and interest to a lease agreement with the County.

The Bonds in the amount of \$16,545,000 dated April 5, 2007, bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2007, at rates ranging from 3.50% to 4.00%. The Bonds mature on August 1 of each year, in the years and in the principal amounts shown below. The balance on these bonds as of June 30, 2015 was \$9,865,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 1,065,000	\$ 373,300
2017	1,110,000	329,800
2018	1,160,000	284,400
2019	1,205,000	237,100
2020	1,255,000	187,900
2021-2023	<u>4,070,000</u>	<u>248,600</u>
Totals	<u>\$ 9,865,000</u>	<u>\$ 1,661,100</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

B. Christian County (KY) General Obligation Recovery Zone Economic Development and Refunding Bonds, Series 2010 A&B

On June 1, 2010, the Fiscal Court issued two bonds, Series 2010A Recovery Zone Economic Development Bonds in the amount of \$2,045,000 and Series 2010B General Obligation Refunding Bonds in the amount of \$1,960,000. Series 2010A was issued for the purpose of road work to be performed on county roads and Series 2010B was issued for the purpose of refunding General Obligation Bond, Series 1998. The Series 2010A bonds bear interest of 3.60% and the Series 2010B bonds bear interest of 2.00%. Payments are due on December 1 and June 1 of each year. The maturity date of the bonds is June 30, 2020. The balance of these bonds as of June 30, 2015 was \$2,105,000. Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 400,000	\$ 64,462
2017	410,000	52,633
2018	420,000	39,754
2019	430,000	26,045
2020	445,000	11,538
Totals	<u>\$ 2,105,000</u>	<u>\$ 194,432</u>

C. General Obligation Refunding Bonds, Series 2011

On November 30, 2011, the County of Christian, Kentucky issued General Obligation Refunding Bonds, Series 2011 in the amount of \$3,785,000. The proceeds will be used to refinance financing obligations with Kentucky Association of Counties Leasing Trust Program for the Energy Conservation Project in the amount of \$2,185,000 and the Jail Renovation in the amount of \$1,565,000. The bonds bear interest of 2.00% to 3.125%. Payments are due on February 1 and August 1 of each year. The maturity date of the bonds is June 30, 2027. The balance of these bonds as of June 30, 2015 was \$2,300,000. Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 400,000	\$ 57,956
2017	405,000	49,956
2018	135,000	41,856
2019	135,000	39,156
2020	140,000	36,119
2021-2025	750,000	120,994
2026-2027	335,000	15,781
Totals	<u>\$ 2,300,000</u>	<u>\$ 361,818</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

D. Campbell Office Building

On August 27, 2010, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$103,500 at a 4.55% effective interest rate. The financing obligation was used to purchase the Campbell Office Building for the Christian County Detention Center. The maturity date of the obligation is August 20, 2020. The balance of the financing obligation at June 30, 2015 was \$57,072. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 10,410	\$ 2,413
2017	10,709	1,923
2018	11,012	1,423
2019	11,324	910
2020	11,645	383
2021	<u>1,972</u>	<u>11</u>
Totals	<u>\$ 57,072</u>	<u>\$ 7,063</u>

E. Sheriff's Vehicles – 2011

On April 28, 2011, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$100,000 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2015. The balance of the financing obligation at June 30, 2015 was \$0.

F. Sheriff's Vehicles – 2012

On March 28, 2012, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$112,000 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2016. The balance of the financing obligation at June 30, 2015 was \$28,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	<u>\$ 28,000</u>	<u>\$ 757</u>
Totals	<u>\$ 28,000</u>	<u>\$ 757</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 6. Long-term Debt (Continued)

G. Sheriff's Vehicles – 2013

On March 12, 2013, the Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$204,624 at a 4.55% effective interest rate. The financing obligation was used to purchase vehicles for the Christian County Sheriff's Department. The maturity date of the obligation is January 20, 2017. The balance of the financing obligation at June 30, 2015 was \$104,302. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2016	\$ 51,577	\$ 4,741
2017	<u>52,725</u>	<u>2,397</u>
Totals	<u>\$ 104,302</u>	<u>\$ 7,138</u>

H. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 5,195,000	\$	\$ 790,000	\$ 4,405,000	\$ 800,000
Revenue Bonds	10,890,000		1,025,000	9,865,000	1,065,000
Financing Obligations	<u>302,955</u>		<u>113,581</u>	<u>189,374</u>	<u>89,987</u>
Total Long-term Debt	<u>\$ 16,387,955</u>	<u>\$ 0</u>	<u>\$ 1,928,581</u>	<u>\$ 14,459,374</u>	<u>\$ 1,954,987</u>

Note 7. Employee Retirement System

A. Plan Description

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan that covers all eligible regular full-time members employed in non-hazardous and hazardous duty positions in the county. The Plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of the plan members under certain circumstances. Benefit contributions and provisions are established by statute.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System (Continued)

A. Plan Description (Continued)

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 17.67 percent.

In accordance with Senate Bill 2, signed by the Governor on April 4, 2013, plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Members contribute five percent (nonhazardous) of their annual creditable compensation and one percent to the health insurance fund which is not credited to the member's account and is not refundable. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of the member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. A member's account is credited with a four percent (nonhazardous) employer pay credit. The employer pay credit represents a portion of the employer contribution.

The county's contribution for FY 2013 was \$618,081, FY 2014 was \$598,026, and FY 2015 was \$574,036.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 7. Employee Retirement System (Continued)

Kentucky Retirement Systems issues a publicly available annual financial report that includes financial statements and required supplementary information on CERS. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

B. Net Pension Liability

As promulgated by GASB Statement No. 68 the total pension liability for CERS was determined by an actuarial valuation as of June 30, 2014. The total net pension liability for all employers participating in CERS was determined by an actuarial valuation as of June 30, 2014, measured as of the same date and is as follows: non-hazardous \$3,244,377,000 and hazardous \$1,201,825,000, for a total net pension liability of \$4,446,202,000 as of June 30, 2014. Based on these requirements, Christian County's proportionate share of the net pension liability as of June 30, 2015 is:

	<u>June 30, 2014</u>	<u>June 30, 2015</u>
Non-Hazardous	\$ 5,019,000	\$ 4,435,000
Totals	<u>\$ 5,019,000</u>	<u>\$ 4,435,000</u>

The complete actuarial valuation report including all actuarial assumptions and methods is publically available on the website at www.kyret.ky.gov or can be obtained as described in the paragraph above.

Note 8. Deferred Compensation

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2015, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2015
(Continued)

Note 10. Health Insurance Fund

Christian County Fiscal Court maintains a self-insurance fund to account for the health insurance provided for other funds on a cost reimbursement basis. The purpose of the self-insurance fund is to have funds available to cover some losses as full insurance for all types of risk can be prohibitively expensive and to accumulate reserves for catastrophic losses. Under accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board this fund would have been accounted for as an Internal Service Fund; however, under the regulatory basis this is not required. Under the regulatory basis of accounting, charges to funds by the Health Insurance Fund will be disbursements of the respective fund being charged and then considered receipts of the Health Insurance Fund. Charges to funds should be reasonable and equitable so that the receipts and disbursements of the Health Insurance Fund are approximately equal and assume that the fund will have profitable and non-profitable years and will break even over time.

Note 11. Conduit Debt

From time to time the county has issued bonds to provide financial assistance to various entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest, in accordance with KRS 103.210. This debt may take the form of certain types of limited-obligation revenue bonds, certificates of participation, or similar debt instruments. Although conduit debt obligations bear the Christian County Fiscal Court's name as issuer, the Fiscal Court has no obligation for such debt beyond the resources provided by a lease or loan with the third party on whose behalf it is issued. Neither the Fiscal Court nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statement.

Note 12. Prior Period Adjustments

	Jail Commissary Fund
Ending Cash Balance Prior Year	\$ 208,169
Adjustments:	
Prior Year Voided Checks	<u>3,405</u>
Beginning Cash Balance Restated	<u><u>\$ 211,574</u></u>

Note 13. Related Party Transaction

For the fiscal year ended June 30, 2015, the brother-in-law of a magistrate received \$71,250 for construction services provided to the Fiscal Court.

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 6,622,220	\$ 6,622,220	\$ 6,813,628	\$ 191,408
In Lieu Tax Payments	2,414	2,414	2,414	
Excess Fees	626,000	626,000	1,152,621	526,621
Licenses and Permits	117,344	117,344	148,795	31,451
Intergovernmental	3,623,002	3,623,002	1,461,703	(2,161,299)
Charges for Services	235,788	235,788	239,548	3,760
Miscellaneous	64,059	64,059	299,240	235,181
Interest	38,337	38,337	38,353	16
Total Receipts	11,329,164	11,329,164	10,156,302	(1,172,862)
DISBURSEMENTS				
General Government	3,425,365	3,447,409	2,416,977	1,030,432
Protection to Persons and Property	595,835	636,476	383,086	253,390
General Health and Sanitation	485,860	490,975	450,770	40,205
Social Services	126,806	161,311	154,929	6,382
Recreation and Culture	393,883	393,883	369,614	24,269
Roads	30,000	30,314	30,314	
Debt Service	174,456	174,456		174,456
Capital Projects	1,844,642	1,844,642	409,109	1,435,533
Administration	3,033,851	2,928,590	2,650,375	278,215
Total Disbursements	10,110,698	10,108,056	6,865,174	3,242,882
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	1,218,466	1,221,108	3,291,128	2,070,020
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			440,000	440,000
Transfers To Other Funds	(3,746,746)	(3,746,746)	(2,634,456)	1,112,290
Total Other Adjustments to Cash (Uses)	(3,746,746)	(3,746,746)	(2,194,456)	1,552,290
Net Change in Fund Balance	(2,528,280)	(2,525,638)	1,096,672	3,622,310
Fund Balance Beginning	2,528,280	2,528,280	9,398,735	6,870,455
Fund Balance - Ending	\$ 0	\$ 2,642	\$ 10,495,407	\$ 10,492,765

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 2,603,434	\$ 2,603,434	\$ 3,047,403	\$ 443,969
Miscellaneous	42,100	42,100	53,430	11,330
Interest	325	325	51	(274)
Total Receipts	2,645,859	2,645,859	3,100,884	455,025
DISBURSEMENTS				
Roads	3,492,515	3,502,084	3,187,750	314,334
Debt Service	245,900	245,900		245,900
Capital Projects	88,000	88,000	71,250	16,750
Administration	393,167	383,598	324,392	59,206
Total Disbursements	4,219,582	4,219,582	3,583,392	636,190
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(1,573,723)	(1,573,723)	(482,508)	1,091,215
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	1,563,723	1,563,723	1,450,000	(113,723)
Transfers To Other Funds			(645,900)	(645,900)
Total Other Adjustments to Cash (Uses)	1,563,723	1,563,723	804,100	(759,623)
Net Change in Fund Balance	(10,000)	(10,000)	321,592	331,592
Fund Balance Beginning	10,000	10,000	12,108	2,108
Fund Balance - Ending	\$ 0	\$ 0	\$ 333,700	\$ 333,700

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 4,603,100	\$ 4,603,100	\$ 5,744,936	\$ 1,141,836
Charges for Services	284,900	284,900	267,761	(17,139)
Miscellaneous	281,600	281,600	341,660	60,060
Interest	600	600	728	128
Total Receipts	<u>5,170,200</u>	<u>5,170,200</u>	<u>6,355,085</u>	<u>1,184,885</u>
DISBURSEMENTS				
Protection to Persons and Property	5,366,542	5,387,112	5,218,743	168,369
Debt Service	586,770	586,770	13,006	573,764
Administration	1,434,911	1,414,341	1,366,230	48,111
Total Disbursements	<u>7,388,223</u>	<u>7,388,223</u>	<u>6,597,979</u>	<u>790,244</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,218,023)</u>	<u>(2,218,023)</u>	<u>(242,894)</u>	<u>1,975,129</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	2,183,023	2,183,023	970,000	(1,213,023)
Transfers To Other Funds			(573,758)	(573,758)
Total Other Adjustments to Cash (Uses)	<u>2,183,023</u>	<u>2,183,023</u>	<u>396,242</u>	<u>(1,786,781)</u>
Net Change in Fund Balance	(35,000)	(35,000)	153,348	188,348
Fund Balance Beginning	<u>35,000</u>	<u>35,000</u>	<u>168,784</u>	<u>133,784</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 322,132</u>	<u>\$ 322,132</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 176,000	\$ 176,000	\$ 199,847	\$ 23,847
Interest			5	5
Total Receipts	<u>176,000</u>	<u>176,000</u>	<u>199,852</u>	<u>23,852</u>
DISBURSEMENTS				
Roads	<u>201,000</u>	<u>203,642</u>	<u>203,642</u>	
Total Disbursements	<u>201,000</u>	<u>203,642</u>	<u>203,642</u>	
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(25,000)</u>	<u>(27,642)</u>	<u>(3,790)</u>	<u>23,852</u>
Net Change in Fund Balance	(25,000)	(27,642)	(3,790)	23,852
Fund Balance Beginning	<u>25,000</u>	<u>25,000</u>	<u>27,686</u>	<u>2,686</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (2,642)</u>	<u>\$ 23,896</u>	<u>\$ 26,538</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

REVOLVING LOAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Miscellaneous	\$ 100	\$ 100	\$ 17,071	\$ 16,971
Interest	100	100	120	20
Total Receipts	200	200	17,191	16,991
DISBURSEMENTS				
General Government	50,200	50,200	45,000	5,200
Total Disbursements	50,200	50,200	45,000	5,200
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(50,000)	(50,000)	(27,809)	22,191
Net Change in Fund Balance	(50,000)	(50,000)	(27,809)	22,191
Fund Balance Beginning	50,000	50,000	50,457	457
Fund Balance - Ending	\$ 0	\$ 0	\$ 22,648	\$ 22,648

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015
(Continued)

E911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 148,363	\$ 148,363	\$ 150,265	\$ 1,902
Intergovernmental	220,495	220,495	224,590	4,095
Interest	2,390	2,390	2,213	(177)
Total Receipts	371,248	371,248	377,068	5,820
DISBURSEMENTS				
Protection to Persons and Property	1,185,248	1,185,248	360,547	824,701
Administration	10,000	10,000		10,000
Total Disbursements	1,195,248	1,195,248	360,547	834,701
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(824,000)	(824,000)	16,521	840,521
Net Change in Fund Balance	(824,000)	(824,000)	16,521	840,521
Fund Balance Beginning	824,000	824,000	846,166	22,166
Fund Balance - Ending	\$ 0	\$ 0	\$ 862,687	\$ 862,687

CHRISTIAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2015

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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CHRISTIAN COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2015

CHRISTIAN COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2015

The Fiscal Court reports the following schedule of capital assets:

	Beginning Balance (Restated)*	Additions	Deletions	Ending Balance
Land	\$ 2,263,092	\$	\$	\$ 2,263,092
Construction In Progress	784,175	374,376	715,172	443,379
Land Improvements	151,576	22,350		173,926
Buildings	35,612,749	735,053		36,347,802
Vehicles and Equipment	4,388,777	571,476	27,974	4,932,279
Furniture and Office Equipment	1,225,702	72,849		1,298,551
Infrastructure	20,122,359	1,192,721		21,315,080
 Total Capital Assets	 <u>\$ 64,548,430</u>	 <u>\$ 2,968,825</u>	 <u>\$ 743,146</u>	 <u>\$66,774,109</u>

*Auditor restated the beginning balance of vehicles and equipment by \$106,963 for vehicles that had been omitted in the prior year. Auditor also restated the beginning balance of infrastructure by \$47,947 for box culverts that had been omitted in the previous year.

CHRISTIAN COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2015

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 50,000	10-75
Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2015

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2015

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures	Provided to Subrecipient
<u>U. S Department of Housing and Urban Development</u>				
<i>Passed-Through State Department for Local Government:</i>				
14.228	Community Development Block Grants/State's Program	14-017/11-052	*	
			\$ 401,035	\$ 237,500
Total U.S. Department of Housing and Urban Development			<u>401,035</u>	<u>237,500</u>
<u>U.S. Department of Justice</u>				
<i>Passed-Through State Department of Justice:</i>				
16.588	Violence Against Women Formula Grants	2013-00366	22,724	
16.738	Edward Byrne Memorial Justice Assistance Grant Program	2013-DJ-BX-0738,2013-M0-BX-0008	69,397	
Total U.S. Department of Justice			<u>92,121</u>	<u>0</u>
<u>U.S. Department of Homeland Security</u>				
<i>Passed-Through State Department of Military Affairs:</i>				
97.042	Emergency Management Performance Grants	P0209414000026781	36,123	
97.067	Homeland Security Grant Program	P0N209515000006543	49,268	
Total U.S. Department of Homeland Security			<u>85,391</u>	<u>0</u>
Total Expenditures of Federal Awards			<u>\$ 578,547</u>	<u>\$ 237,500</u>

*Tested as Major Program or Cluster

CHRISTIAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2015

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Christian County, Kentucky and is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the Fiscal Court is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2015 or were deemed high risk. There was one Type A program. The major program tested was: Community Development Block Grants/State's Program (CFDA #14.228).

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2015.

Note 4 - Subrecipient

The federal expenditures for the U.S. Department of Housing and Urban Development – Community Development Block Grants/State's Program include funds transferred to the following subrecipient:

Subrecipient	CFDA Number	Pass Through Grant Amount
Pennyroyal Regional Mental Health Retardation Board, Inc.	14.228	\$237,500

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Christian County Fiscal Court for the fiscal year ended June 30, 2015 and the related notes to the financial statement which collectively comprise the Christian County Fiscal Court's financial statement and have issued our report thereon dated March 09, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Christian County Fiscal Court's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Christian County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Christian County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be a significant deficiencies.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Christian County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the schedule of findings and questioned costs as item 2015-002.

County Judge/Executive's Responses to Findings

The Christian County Judge/Executive's responses to the findings identified in our audit are included in the schedule of findings and questioned costs. The County Judge/Executive's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike H", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts

March 09, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

**Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133**

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited Christian County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Christian County Fiscal Court's major federal programs for the year ended June 30, 2015. Christian County Fiscal Court's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Christian County Fiscal Court's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County Fiscal Court's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Christian County Fiscal Court's compliance with those requirements.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Opinion on Each Major Federal Program

In our opinion, Christian County Fiscal Court complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of Christian County Fiscal Court is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Christian County Fiscal Court's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Christian County Fiscal Court's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

March 09, 2016

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2015

Section I: Summary of Auditor's Results

Type of auditor's report issued: Unmodified Opinion

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: Unmodified Opinion

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with <u>U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Numbers and Name of Federal Program or Cluster

14.228 Community Development Block Grants/State's Program

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit

Financial Statement Findings:

2015-001 Christian County Fiscal Court Did Not Have Adequate Controls Over Credit Card Disbursements

The following deficiencies were documented regarding credit card transactions:

- 26 credit card transactions did not have adequate supporting documentation (itemized invoices).
- One item was missing an invoice.
- Four credit cards were not paid in full each month or on time, resulting in finance charges/late fees of \$147.70.
- A Jail credit card transaction included \$11.68 for alcoholic beverages.
- All hotel bills included federal and state tax payments when the County should be receiving a government rate.

These deficiencies over credit card disbursements occurred because of the Fiscal Court's lack of internal controls and oversight. By failing to maintain adequate documentation, the Fiscal Court increased the risk of paying invoices for goods or services that were not provided to the County or for items that are not allowable. Also, by not paying credit cards timely and in full each month the Fiscal Court could be issued late fees and finance charges. Good internal controls dictate that adequate supporting documentation should be maintained for all credit card transactions. All vendor invoices and receipts should be maintained, including any additional supporting documentation and agreed to the corresponding purchase order and reports. We recommend that the County further develop internal control procedures to ensure that credit card transactions are properly supported. We also recommend the Fiscal Court consider including an explanation of why the travel occurred and the individuals participating in the meals, if applicable, to provide further documentation to ensure that all meals and travel are county related.

County Judge/Executive Tribble's Response: Christian County has implemented procedures to address credit card transaction deficiencies. The staff member responsible for the unallowable disbursement has been reprimanded. Furthermore, the staff member has made reimbursement in the amount of \$11.68 to the County Jail Fund.

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2015
(Continued)

Section II: Findings - Financial Statement Audit (Continued)

Financial Statement Findings (Continued):

2015-002 Christian County Fiscal Court Did Not Properly Utilize The Purchase Order System

The Christian County Fiscal Court did not properly utilize the purchase order system in accordance with Department for Local Government guidelines. The Jail, Animal Shelter, and Courthouse Maintenance would randomly notify the Finance Officer to obtain a purchase order, but even then the purchase order was not being properly filled out. All other departments were not requesting a purchase order prior to making a purchase or requesting a service be performed. Although the Fiscal Court has a purchase order system in place, there was no one enforcing or monitoring it to ensure that it was being utilized correctly.

Failure to maintain appropriate records for purchase orders could result in incorrect amounts being paid or not having adequate funds or sufficient budget appropriation available. KRS 68.210 gives the State Local Finance Officer the authority to prescribe a uniform system of accounts. The Department for Local Government (DLG) *County Budget Preparation And State Local Finance Officer Policy Manual* states, “purchases shall not be made prior to approval by the County Judge/Executive (or designee) or department head. Purchase requests shall indicate proper appropriation account number to which the claim will be posted. Purchase requests shall not be approved in an amount that exceeds the available line item appropriation unless the necessary and appropriate transfers have been made.” In addition, a purchase order journal should contain a “daily, chronological listing of all purchase orders issued. The listing is the book of original entry for all county purchases. The journal should indicate the purchase order number, issue approved by appropriation code to where the payment will be posted, vendor name, date invoice is received, amount of invoice, date claim was reviewed by Fiscal Court date paid and amount paid.”

We recommend that the Fiscal Court require purchase orders be obtained prior to items being ordered or services received to determine if adequate funds and budget appropriation are available for the purchase and to comply with DLG’s *County Budget Preparation And State Local Finance Officer Policy Manual*. Purchase orders should be completely filled out at the time of issuance.

County Judge/Executive Tribble’s Response: Christian County has taken steps to strengthen the purchase order system.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings (FEDERAL FINDINGS ONLY)

None.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CHRISTIAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2015**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CHRISTIAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2015

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

